Scouting capital's frontiers

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Reply to Morozov's 'Critique of Techno-Feudal Reason'

EVGENY MOROZOV HAS provided a salutary critique of recent proposals to conceptualize the social relations of the digital economy—with web users supposedly tied like serfs to tech barons' inescapable domains—by analogy with those of the feudal era. His 'Critique of Techno-Feudal Reason' offers a systematic review of contemporary feudal-speak as a discursive swamp in which, he charges, 'the left has a hard time differentiating itself from the right'—neoliberals like Glen Weyl and Eric Posner, as well as neo-reactionaries like Curtis Yarvin and anti-wokite Joel Kotkin, articulating the same 'neo-' or 'techno-feudal' critique as Yanis Varoufakis, Mariana Mazzucato, Robert Kuttner or Jodi Dean. If radical thinkers have embraced feudal imagery as a rhetorical, meme-friendly ploy, Morozov argues that this is testament not to media savviness but to intellectual weakness—'as if the left's theoretical framework can no longer make sense of capitalism without mobilizing the moral language of corruption and perversion.' By shifting its attention from actual capitalist relations to reminiscences of feudalism, it risks letting go its prey to chase a shadow, abandoning its most original and effective angle of attack on exploitative socio-economic relations—its sophisticated anti-capitalist political-theoretical apparatus.[1]

In defining his terms—what makes 'capitalism' capitalism and 'feudalism' feudalism—Morozov reaches back to 1970s debates, in particular Robert Brenner's critique of Immanuel Wallerstein's *The Origins of the Modern World System* (1974).[2] In Morozov's view, Brenner's distinction

between the two modes of production—resting on the economic compulsions that force capitalists to accumulate via innovation, and propertyless workers to seek waged labour, as distinct from lordly appropriation via the knout of feudal coercion—although 'elegant and consistent', should nevertheless be abandoned in favour of Wallerstein's 'analytically messier' but intuitively convincing notion of a capitalist world-system built on the coercive transfer of surplus from the periphery to the core. If capitalism has always depended on a degree of extra-economic appropriation, there is no need to describe the digital giants' enforcement of their monopolies, or the state-driven upward redistribution of wealth, as anything other than capitalist. Besides, Morozov argues, Big Tech is in fact productive—why else would Alphabet and Amazon invest tens of billions in R&D, if not to 'accumulate via innovation'?[3]

To his credit, Morozov moves beyond the discussion of conceptual ambiguities in new uses of 'feudalism' to challenge the core of the techno-feudal hypothesis—the idea that 'something in the nature of information and data networks pushes the digital economy in the direction of the feudal logic of rent and dispossession, rather than the capitalist logic of profit and exploitation.' Regretting a 'lack of analytical clarity', he argues there is no need for invocation of feudalism: 'Capitalism is moving in the same direction it always has been, leveraging whatever resources it can mobilize—the cheaper, the better'. It is not a given, he claims, that today's upward-redistributive tendencies will win out over the productive ones. But that is no reason to believe that techno-capitalism is 'a nicer, cosier and more progressive regime' than techno-feudalism. On the contrary, Morozov concludes: 'by vainly invoking the latter, we risk whitewashing the former's reputation.'[4]

Risks of theoretical innovation

These are telling points. If Morozov is right that the digital economy's productive tendencies may win out over its upward-redistributive ones, then the critique of its predatory dynamics that I developed in *Technoféodalisme* would be no more effective than Don Quixote's assault

[1] Evgeny Morozov, 'Critique of Techno-Feudal Reason', NLR 133/4, Jan–Apr 2022, pp. 90–92.
[2] Robert Brenner, 'The Origins of Capitalist Development: A Critique of Neo-Smithean Marxism', NLR I/104, July–August 1977.
[3] Morozov, 'Critique of Techno-Feudal Reason', pp. 110–11, 118.
[4] Morozov, 'Critique of Techno-Feudal Reason', pp. 125–6.

on the windmill.[5] Worse, by picking the wrong fight, such a critique would no longer be qualified to denounce capitalism—as it normally functions—in the digital age. This would be a worrying eventuality, indeed. Before moving on to the core of the discussion, a preliminary logical point should be made on this score. An attempt to engage critically with what is perceived as a transformation in the mode of production does not necessarily invalidate the older critique on which it is building and which it hopes to supersede. The critique of the digital sector mounted under the adscription of 'techno-feudalism' is fully compatible with analyses of globalization and financialization as simultaneously operative dynamics. One should not be intimidated about thinking these novel developments afresh; there is no reason why exploring the specific dynamics of the digital economy should result in whitewashing capitalism or enthusing about the productive virtues of competition.

Importantly, this is true whether or not the techno-feudal hypothesis is proved correct. If it is wrong, or if the predatory dynamic of the digital sector is only nascent or not yet actualized, then the existing modern Marxist anti-capitalist critique retains its validity as a challenge to the current state of the world. If, on the other hand, a qualitative mutation of capitalism *is* taking place, one that modifies the laws of motion of the socio-economic system with features reminiscent of feudalism, this new conceptual apparatus will allow us to grasp and fight the emerging forms of social domination. Neither scenario requires any nostalgic praise for the 'good-old capitalism' of the past. As in Pascal's wager, 'If you gain, you gain all; if you lose, you lose nothing.'

Unlike the existence of God, however, the characteristics of a mode of production can be theoretically and empirically investigated by rational means. As Morozov rightly stresses, any inquiry located at the frontiers of capitalism, past or future, must begin by tackling a definitional problem. I propose to move beyond a simple dichotomy between a narrow,

[5] See my *Technoféodalisme: critique de l'économie numérique*, Paris 2020. I am grateful for the chance to clarify my arguments here; since the book was published, discussions with critics have helped me refine its theses. Although their arguments follow different paths, Morozov's criticism aligns with that of Sterenn Lebayle and Nicolas Pinsard, who also argue that analysis of the digital sector should be 'anchored' in the logic of the capitalist mode of production, and in particular its imperialist dynamic. See Lebayle and Pinsard, 'L'économie numérique: une involution du mode de production capitaliste? À propos de l'ouvrage *Technoféodalisme*. Critique de l'économie numérique de Cédric Durand', *Revue de La Régulation*, no. 30, 17 May 2021.

Brennerian definition of capitalism, where property relations set in motion relations of production, and a predominantly commercial, Braudelian view of it as an 'infinitely adaptable' system of exchange oriented toward accumulation. While the elasticity of the latter allows it greater flexibility in accounting for the historical-geographical variations of capitalism and the diversity of its means of wealth accumulation—in particular, the persistence of primitive-accumulation processes—the former better grasps the unique productive drive of this mode of production.

This polarity is helpful to clarify what 're-feudalization' is not. The symptoms that I have been calling 'techno-feudal'—acknowledging of course that the isomorphism with medieval Europe and Japan is distant and incomplete—imply a productive impasse at the world-system level, such that returns on capital can no longer be obtained through the production of basic mass commodities, but require political intervention—guaranteeing monopolies, underwriting speculative financialization and so forth. This system-wide impasse is altogether different from cases where finance has withdrawn from domestic production to invest in more dynamic capitalist centres elsewhere, as was the case with the Dutch Republic in the early years of capitalism, for example—or, indeed, imperial Britain. The Dutch Republic enjoyed a Golden Age of prosperity in the seventeenth century, but its advanced economic structure did not become the launch-pad for an early industrial revolution; nor, however, was there any 're-feudalization', or restoration of relations of lordly appropriation on the land.[6] An explanation must account both for its early-modern capitalist expansion and for its later blockage at national level. On the first point, it seems clear that *a priori* transformation at the point of production was a crucial factor in the mercantile flourishing of the Low Countries.[7] Later, however, the predominance of finance—along with the persistence of protectionist barriers at local level—became a serious hindrance to national capitalist development. Instead, it perpetuated a monied aristocracy, well-integrated into international circuits, which contributed to—and benefited from—England's industrial-capitalist transition.

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[6] See Pepijn Brandon, 'Marxism and the "Dutch Miracle": The Dutch Republic and the Transition-Debate', *Historical Materialism*, vol. 19, no. 3, 2011.

[7] This chimes with the Brennerian position that changes in property relations have a logical precedence over trade in the take-off of sustained capitalist accumulation, although Brandon does also insist on the importance of the interplay between rural and urban development in the Dutch case.

The theoretical point is that, on the one hand, engagement with production in a competitive context is a defining feature of capitalism's expansionary drive; and on the other, that re-feudalization requires something more than a disengagement from production in favour of finance or trade (whose counterpart is necessarily found in productive developments elsewhere in the world-system). Re-feudalization requires a *generalized* retreat from production as the site of surplus-value appropriation; it is not a side-effect of an acceleration of capitalism elsewhere. Techno-feudalism, to return to our problem, thus signals more than financialization arising from the geographical distribution of profits through globalization by digital means. It implies, *mutatis mutandis*, some positive reiteration of the politically or coercively enforced relations of appropriation that characterized feudalism in its time.

Regressive socialization

In calling for greater analytical clarity, Morozov asks us 'to identify the key features of the feudal system and examine whether they might be reoccurring today'. In other words, the features we are calling 'techno-feudal' needs to be defined not just in terms of feudalism but also in terms of the capitalism from which it emerges. In class societies, a mode of production is always a particular combination of, first, a labour process—that is, workers who, whether autonomous or subordinate, use the instruments of production and transform the objects of labour; and second, a relation of appropriation, meaning the methods by which non-producers capture a share of the economic surplus. The arrangements of these relations vary according to the mode of production, which in turn leads to distinct economic, social and political dynamics.

In these terms, the French medievalist Guy Bois captured the feudal mode of production in a single formula: 'It is the hegemony of small individual production (and therefore the level of productive forces that this hegemony implies), plus the seigneurial levy ensured by a constraint of political (or extra-economic) origin.'[8] This concise definition allows for a critical positioning of techno-feudalism relative to feudalism. On the one hand, our contemporary forms are clearly not 'feudal' in the sense of the first part of Bois's definition: small individual production. There has been

[8] Guy Bois, 'Crise du féodalisme: économie rurale et démographie en Normandie orientale du début du XIVe siècle au milieu du XVIe siècle', *Cahiers de la Fondation nationale des sciences politiques*, no. 202, 1976, p. 355.

no twenty-first-century involution in the division of labour or retraction of social cooperation in production. On the contrary: techno-feudalism is the outcome of what Ernest Mandel once defined as the 'growing objective socialization of labour', which has been 'the basic historical trend of capitalist development from the Industrial Revolution onwards.'[9] Every minute of our life is embedded in this taut web of productive interdependencies, which allows us to eat food grown and transported by others; to keep warm thanks to power plants that others build and run; to communicate via electronic networks or printed forms that we play no part in maintaining—in all the sophisticated ways we do. The growing part of our lives spent online only increases the complexity of those social ties.

On the other hand, the core of the techno-feudal hypothesis is that—contrary to left hopes—this socialization has assumed a regressive character. This possibility was to some extent envisaged by Balibar, who has argued that the steady ongoing commodification process has crossed successive thresholds, continuously re-inventing such forms as health, education, knowledge, art, entertainment, care, sentiments and so on as 'fictitious commodities'. This general and all-encompassing commodification is a 'total subsumption' that results in a complete loss of personal identity and autonomy, since market logics and constraints increasingly command the quality and quantity of human life. Tendentially, Balibar writes, 'no form of life—as agency, activity, passivity, even dying—can be lived outside a commodity form and value-form that is, in fact, a moment in the valorization process of capital.'[10]

Balibar's thesis accurately captures the regressive potential of socialization. Its stress on commodification, however, leads to the neglect of other forms of socialization—above all, the way digitalization has altered the quality of transaction and coordination. Though digital activities float on an ocean of money, they are not commodified in the traditional way. Most services offered by Google or Facebook are only commodified at a secondary level, through the sale of advertising to companies wishing to access their users. Rather than understanding digital activities as governed by a logic of consumption, then, we should see them as

[9] Ernest Mandel, 'In Defence of Socialist Planning', NLR 1/159, Sept–Oct 1986, p. 6.
[10] Étienne Balibar, 'Towards a New Critique of Political Economy: From Generalized Surplus-value to Total Subsumption', in Peter Osborne, Éric Alliez and Eric-John Russell, eds, *Capitalism: Concept, Idea, Image: Aspects of Marx's Capital Today*, London 2019, pp. 40–45.

determined, at the first level, by a logic of access, whose correlate is the degree of one's embeddedness within a privately owned algorithmic loop. Digital platforms are ecosystems; their function is to manipulate social interactions on the basis of the patterns of behaviour they detect among non-related people. Their output—informing or guiding the user—and input—the information the user provides—are indistinguishable. This applies not only in the case of someone entering a search term or using a navigation service, but also, say, a supplier whose inventory is entered as an input in Walmart's information system and whose order books will be determined by the data there.

The wider the web of users, the more effective the service provided. This incentivizes the digital-service provider to offer an open platform that users can access for free, or at least on attractive terms, in order to lure in the highest number. This results in an accelerating dynamic of scale, strengthening the position of the provider; the dominant search engine is also the best performer, due to its very dominance. By the same logic, Amazon and Walmart allow a long tail of third parties to sell products on their platforms; this benefits them both directly—higher sales volumes, due to a larger customer base—and indirectly, by allowing them to gather more data and expand their algorithmic capabilities.

While data's value derives in part from economies of scale—the sheer volume of harvested information—it is realized through 'the capacity to process, analyse and use them in order to induce behaviour in others.'[11] Unlike tradable goods, whose exchange-value is backed by some use-value, the business of data is first and foremost about control. This includes the capacity to anticipate patterns and influence their unfolding, which again is a function of the scope and amount of data gathered. As inputs for algorithmic coordination, data make transactions more effective but at the same time more biased, by largely hidden criteria embedded in the architecture of digital platforms. The implication is straightforward. If the bottom line is an effective intellectual monopoly by Big Tech of the means of socio-economic co-ordination, then we must conceptualize the income they obtain from their dominant position as a fee or a tax on the user's activity. As a form of income, this is much closer to a road toll, or to what Guy Bois called 'the seigneurial levy', than to a counterpart payment in a market exchange.

[11] Katharina Pistor, 'Rule by Data: The End of Markets?', *Law & Contemporary Problems*, no. 83, 2020, p. 106.

True, there is a vulnerability in this 'rentier' model. Who lives by viral expansion will perish by viral expansion. Who now remembers MySpace, the pioneer social network and the most-visited US website in 2006, before it was marginalized by rise of Facebook? Digital services are contestable markets where Schumpeterian innovation patterns fuel creative destruction, forcing the incumbent to invest and innovate in order to face these competitive threats. This is what Morozov is referring to when he asks: 'If the tech giants really are lazy rentiers who are ripping everyone off by exploiting intellectual-property rights and network effects—why do they invest so much money in what can only be described as production of some kind?' It is, admittedly, difficult to grasp the specifics of the rents derived from intellectual monopoly in the digital age. After all, we are talking about the most dynamic and innovative sectors of the twenty-first-century economy. Many of the flagship firms of the tech sector were start-ups a couple of decades ago; their ascent to the pinnacle of capitalism is the result of sustained investment in both R&D and physical infrastructure. Some, like Amazon or Uber, have only recently managed to make a profit.

Morozov is right to take these productive—or quasi-productive—features of the digital economy into account. But they are no reason to ignore the emerging relations whose rapid spread is creating a brand-new socio-economic landscape. We are in the presence of a cumulative causation mechanism, under which would-be intellectual monopolists invest and innovate in order to accumulate intangible assets that generate forms of social control. As a recent study notes, the systematic expansion of their knowledge monopoly grants these firms a potentially unlimited source of power which can lead to unequal or asymmetrical market exchanges.[12] Data gathering is a key dimensions of this process; and though, as we've seen, the sheer volume of data is not the only criterion, scale represents an almost insurmountable barrier to entry for smaller firms, especially when intangibles are complemented by massive tangible assets. If intellectual monopoly aims at asserting control through the manipulation of intangibles, this is far from an immaterial process. Securing the relevant physical infrastructure is a pre-condition for hegemony over knowledge. Cloud computing—the current holy of holies for intellectual monopolization—requires vast data farms stacked high with powerful machine-learning processors, as well as ranks of

[12] Cecilia Rikap, *Capitalism, Power and Innovation: Intellectual Monopoly Capitalism Uncovered*, New York 2022, pp. 26–7.

hard drives for storing processed data and a million kilometres of bandwidth cable to transport data around the world.

Interestingly, it is not data as such but rather user metrics—numbers of people, degrees of engagement—that serve as the basis for assetization for big US tech firms.[13] Users, in turn, are constituted through a series of technological and socio-legal choices. They become a new asset class because they are the raw material through which the tech giants create and control the data that allow them to generate revenues. The quality and quantity of users' engagement—people in their diverse social roles, tapping into the online world, or passively feeding data to satellites from the phone in their pocket—also depend on a mixture of tangible and intangible assets. The singularity of profit-making in the data business lies not in the quantity of products sold, nor on their mark-up, but in the social space under the firm's control.

Upshots of the long downturn

Morozov's concluding question—whether the upward-redistributive dynamics of contemporary capitalism will prove more determinant than the productive ones—touches on the stylized fact that has driven the techno-feudal hypothesis. Morozov's scepticism is surprising, however, since this is one of the least-contested features of the advanced-capitalist economies. Figure 1 (overleaf) shows the secular trend of declining investment in OECD countries over the past half-century, illustrating the long downturn of capitalism. This lack of dynamism has been matched by a general increase in income disparities. According to the World Income Database, in 1980 the top 1 per cent's income share was 10.8 per cent in North America and 8.4 per cent in Western Europe; by 2020, these shares had increased to 19.4 and 11.8 per cent. There are also indications of a significant decline in the labour share of income since the early 1980s within a majority of countries, corresponding to an overall increase in the rate of exploitation which has been especially dramatic in the US.[14]

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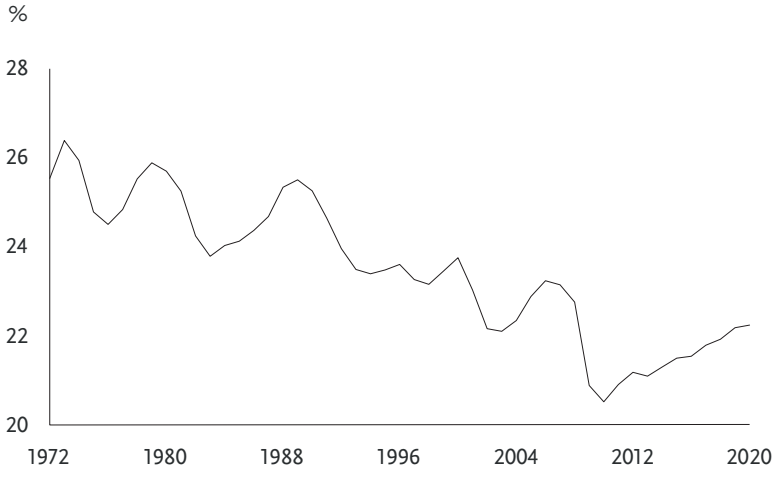
[13] Kean Birch, D. T. Cochrane and Callum Ward, 'Data as Asset? The Measurement, Governance, and Valuation of Digital Personal Data by Big Tech', *Big Data & Society*, vol. 8, no. 1, 2021, p.2.

[14] Engelbert Stockhammer, 'Determinants of the Wage Share: A Panel Analysis of Advanced and Developing Economies', *British Journal of Industrial Relations*, vol. 55, no. 1, 2017, pp. 3–33.

Figure 1: *Fixed investment as a share of GDP in OECD countries (1972–2020)*



Source: OECD

All the evidence points to strong upward-redistributive tendencies and bleak productive dynamics. The real question is how to explain this. As noted above, the techno-feudal hypothesis complements other explanations, including globalization and financialization. Although we do not yet have adequate statistics or methodologies for rigorous and exhaustive testing of the diverse mechanisms of intellectual monopoly we have identified,[15] other factors corroborate the idea of a historic change in the logic of inter-capitalist competition. First, 'conventional' profits are increasingly concentrated. In the US, profits at the 90th percentile rose from 2.1 times median profits in the 1970s to more than six times median profits by 2017, with most of this occurring since 2000.[16]

[15] Cédric Durand and Cecilia Rikap, 'Intellectual Monopoly Capitalism—Challenge of Our Times', *Social Europe*, 5 October 2021; Cédric Durand and William Milberg, 'Intellectual Monopoly in Global Value Chains', *Review of International Political Economy*, vol. 27, no. 2, 3 March 2020, pp. 404–29.

[16] Leila Davis and Joao Paulo de Souza, 'Churning and Profitability in the US Corporate Sector', *Metroeconomica*, 2021. Thanks to Joel Rabinovich for indicating this reference to me. Among previous works showing profit concentration, see: Jason Furman and Peter Orszag, 'A Firm-Level Perspective on the Role of Rents in the Rise in Inequality', in *Toward a Just Society*, New York 2018, pp. 19–47; David Autor et al., 'The Fall of the Labor Share and the Rise of Superstar Firms', *The Quarterly Journal of Economics*, vol. 135, no. 2, 2020, pp. 645–709.

Second, when we look at total assets—that is, including financial and intangible assets—this divergence disappears; but far from resolving the puzzle, this raises intriguing questions. On the one hand, the growing weight of financial capital retained as cash holdings suggests a lack of investment opportunities. On the other hand, the fact that firms with top operational profit rates also hold particularly large stocks of intangibles suggests that that their growth strategies increasingly rely on the acquisition of existing firms. These developments are consistent with the diagnosis of a dysfunctional capitalism, where capital centralization takes place through processes of predation largely disconnected from productive activities—the rationale of surplus appropriation in the techno-feudal hypothesis. Walmart's sustained profitability, thanks to its digital turn—in spite of decreased investment—and Amazon's decision to expand services to third parties, in order to leverage fixed costs, both illustrate this new dynamic, in which control over the means of coordination generates income that tendentially substitutes for profit-making through production and sales.[17]

Responding to Morozov in 'Capital and Cybernetics', Timothy Ström advances the idea that the cyber-capitalist sector can be conceived as an entirely new system, introducing a new mode of abstraction and operating as 'a thin layer, spread unevenly across the capitalist world-system, overlaying older patterns of social practice'.[18] Reminiscent of *The Stack,* a concept developed by Benjamin Bratton to understand the overlaying complexities of the world-system, this perspective suggests the existence of a new terrain with new rules for surplus appropriation. Such a development is consistent with the disturbing stylized facts presented earlier regarding profitability, investment and inequalities. Do we still live in a bad old capitalist system or in a new evil one? The answer remains empirically uncertain but depends ultimately on a question of threshold. When appropriation exceeds capitalist exploitation, the system will have mutated. Or has it done so already?

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[17] Céline Baud and Cédric Durand, 'Making Profits by Leading Retailers in the Digital Transition: A Comparative Analysis of Carrefour, Amazon and Wal-Mart (1996–2019)', *Working Paper UNIGE*, no. 153880, 2021.

[18] Timothy Erik Ström, 'Capital and Cybernetics', NLR 135, May–June 2022, p. 30.